DOCUMENT RESUME

ED 348 835 EC 301 460

AUTHOR	Reeb, Kenneth G., Jr.
TITLE	Revolving Loan Funds: Expanding Equipment Credit Financing Opportunities for Persons with Disabilities.
INSTITUTION	Electronic Industries Foundation, Washington, DC. Rehabilitation Engineering Center.
SPONS AGENCY	National Inst. on Disability and Rehabilitation Research (ED/OSERS), Washington, DC.
PUB DATE	Jun 87
CONTRACT	G00830020
NOTE	66p.
PUB TYPE	Guides - Non-Classroom Use (055)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	*Assistive Devices (for Disabled); *Credit (Finance); Delivery Systems; *Disabilities; Equipment; *Financial Support; Human Services; Models; Organizational Objectives; *Program Development; Program Implementation; Purchasing; Rehabilitation
IDENTIFIERS	*Loan Programs

ABSTRACT

This document is intended to encourage organizations that serve persons with disabilities to explore the potential for expanded credit opportunities for their constituencies, particularly credit financing for assistive aids and devices. The paper contends that there are significant numbers of persons with disabilities who could effectively handle financial responsibilities associated with purchasing needed equipment using credit, and that these persons should have opportunities to demonstrate their credit worthiness. The concept of establishing a revolving fund is introduced as a method of improving the availability and affordability of credit. This fund can be used either to provide equipment loans directly or to guarantee commercial loans. The report also captures many of the insights of organizations around the country that have pioneered implementation of the revolving fund concept. The report offers a step-by-step outline, from addressing financial needs, designing the service, and costing/pricing the service, to determining fund size, establishing the fund, and marketing the service. Appendixes contain a list of model programs and sample loan application forms. (JDD)

REHABILITATION ENGINEERING CENTER
eif

1901 Pennsylvania Avenue N.W., Suite 700, Washington, D.C. 20006 (202) 955-5810 TDD: (202) 955-5836 FAX: (202) 955-5837

REVOLVING LOAN FUNDS:
EXPANDING EQUIPMENT CREDIT FINANCING OPPORTUNITIES
FOR PERSONS WITH DISABILITIES

Kenneth G. Reeb, Jr.

June, 1987

Electronic Industries Foundation
Rehabilitation Engineering Center
1901 Pennsylvania Avenue, N. W.
Suite 700
Washington, D. C. 20006

A project of the Electronic Industries Foundation

Electronic Industries Foundation
Rehabilitation Engineering Center
Supported through a Cooperative Agreement with
The National Institutes of Handicapped Research
U.S. Department of Education
Washington, D.C.

Grant #G00830020

TABLE OF CONTENTS

PREFACE

This document is intended to encourage organizations that serve persons with disabilities to explore the potential for expanded credit opportunities for their constituencies, particularly credit financing for assistive aids and devices. The rapid advance of technology and its increased commercial availability present tremendous opportunities for persons with disabilities to achieve educational, vocational, recreational and other independent living goals. The ability to acquire financing for that technology is a critical prerequisite. Credit financing is an option that has not been pursued to the degree possible. It is the author's contention that there are significant numbers of persons with disabilities who could effectively handle financial responsibilities associated with purchasing needed equipment on time. The ability to acquire credit is vital for living independently in today's society. Persons with disabilities should have opportunities to demonstrate their credit worthiness.

There are roles that service organizations can perform in improving the availability and affordability of credit. The concept of establishing a revolving fund is introduced as one viable alternative. A fund can be used either to provide equipment loans directly or to guarantee commercial loans. This resource guide explores the revolving loan fund concept realistically. Important issues are raised to facilitate thoughtful program planning and implementation by administrators and planners.

Fortunately, there are a number of organizations around the country that have pioneered implementation of the revolving fund concept. Administrators within these organizations have confirmed that the concept is a sound one. They have also been very open to discussing their experiences, sharing the strengths of their respective programs while being frank about areas for improvement. This document captures many of those insights for the benefit of others. Those insights and the frankness with which they have been reported are what give the guide its value.

PART ONE

PLANNING THE SERVICE

CHAPTER I

Introduction - Addressing Financial Needs

Within the past few years there has been tremendous growth in both the capabilities and the commercial availability of aids and devices designed to address functional needs of persons with disabilities. New products are continually being introduced into the marketplace with remarkable capabilities for augmenting communication, opening access to printed text for persons with visual impairments, allowing greater control of home and work environments, and many other exciting possibilities. There is every reason to expect this trend to continue.

This promising growth, however, introduces a series of new problems for persons with disabilities, their family members and service providers. Given the expansion in the number of commercial devices capable of improving access, there are serious problems of access to those devices. It is often difficult, for example, for potential consumers to obtain adequate information about product alternatives so as to make informed choices. In addition, a most critical access problem is the inability to pay for an assistive device, let alone the costs of training, maintenance, repair, and other services associated with use of that product. As persons' functional needs are increasingly addressed with adaptive equipment, their financial needs gain significance as critical barriers to use of that equipment.

The equipment financing needs of persons with disabilities warrant increased attention by service providers. Certainly, services designed to support individual procurement of useful devices would fit appropriately within the purview of any organization providing services to persons with disabilities. This document outlines ways in which such financial support might be provided, focusing upon use of revolving funds as ongoing sources of individual product loans.

Before delving into program ideas, it will be useful to consider a couple significant characteristics of individual financial need as a framework for eventual program planning.

Characteristics of Financial Need

There are two basic features of financial need that must be recognized. The first is that an individual's financial needs are an ongoing concern. The second is that financial need can vary significantly from one individual to another.

There is a commonly used adage which holds that, if you give someone a fish, that person will eat for a day, but, if taught to fish, that person will eat for a lifetime. This is a fundamental tenet for rehabilitation and independent living programs, where disabled individuals are taught useful skills intended to serve them for a lifetime, or at least for a significant period of time.

Interestingly, the above adage does not consider the equipment nor the financial needs of the pupil. With fishing or any other task there are devices that can be used for greater productivity. We may teach someone to fish, but if a boat, fishing pole and fish finding sonar would expedite the task, acquiring those tools becomes desirable. Furthermore, since the average life cycle of devices is usually less than that for any fisherman, and since newer, more productive and flashy fishing equipment is being developed continually, we can expect every fisherman to need/want to obtain different equipment periodically.

These realities suggest the ongoing nature of financial need associated with the need for equipment. As service providers teach vocational and independent living skills they must recognize that not all client needs can be addressed once, up front. In particular, the need for equipment and the associated need for financing will resurface periodically, pointing to a potential ongoing role for service organizations.

The second basic characteristic of financial need is that it can vary considerably among groups of individuals. It should never be presupposed that the client population for any service organization has uniform financial needs. Persons with similar levels of disability do not necessarily share similar financial situations. The financial resources available to individuals within each target population, therefore, will usually range significantly, influencing the types of financial services most appropriate for any given service provider.

As an example, in a recent national survey conducted by Louis Harris and Associates for the International Center for the Disabled, the following statistics were generated related to household income levels among disabled and non-disabled persons.

TABLE I.1

Distribution of Household Income
for Disabled and Non-Disabled Persons
United States
1986

Household Income	Disabled	Non-Disabled
$7,500 or less	25%	12%
$7,501 to $15,000	25%	17%
$15,001 to $25,000	16%	21%
$25,001 to $35,000	12%	16%
$35,001 to $50,000	7%	15%
$50,000 or more	5%	12%
Not Sure/Refused	10%	7%

SOURCE: Louis Harris and Associates. The ICD Survey of Disabled Americans: Bringing Disabled Americans into the Mainstream. New York: International Center for the Disabled, 1986.

Table I.1 indicates that there certainly are differences in income distributions between the two populations. What is noteworthy, however, is that the differences probably are not as dramatic as might have been initially expected. The data show, in fact, that there are signficant numbers of persons with disabilities who have considerable financial resources. 24% of the national disabled population has household income above $25,000, suggesting the availability of some discretionary resources among that cohort. These data are inconsistent with general preconceptions of the population of persons with disabilities. They are important for the questions they raise for any organization seeking to address the financial needs of its constituency.

What are the financial needs of your client population? Do they parallel the distribution of Table I.1? Or do they reflect more prevalent preconceptions, where the distribution is much more skewed, showing a considerable peak at the low end of the spectrum? It is crucial that these questions be answered as a first step in any planning process aimed at implementation of equipment financing services. The financial needs of an organization's client population should dictate the type(s) of financial support services offered. The services must be tailored to the need.

Financial Service Options

Acknowledging the range of financial needs, there is a corresponding range of financial services that may be appropriate for supporting clients in acquisition of aids and devices. To identify the range of possibilities, one need only observe what is being done by various innovative organizations around the country. A number of organizations that provide services to persons with disabilities have recognized equipment financing as a need among their constituencies, and are offering creative services to meet those needs. "Enhanced Consumerism Within Commercial Rehabilitation Product Markets: A Goal for Independent Living" (Reeb, 1986) profiles a sample of these programs. Conceptually, the following are representative of the range of services being offered:

1) Some programs deal in equipment rather than in finances. They administer loan closets, where devices are purchased or received through donation, and loaned out as needed. Providing the equipment obviates the need for equipment financing.

2) Others have instituted grant programs, establishing funds from which to provide nonrepayable sums for equipment purchase. As grant funds diminish they are replenished periodically from outside sources.

3) Still other programs have established revolving funds designed to be self-perpetuating through repayment of loans over time. In these programs, fund money is loaned directly to clients. Borrowers are expected to repay the principal and, in many cases, some or all of the associated lending costs. Program staff generally administer the service, handling loan applications and monitoring repayment schedules.

4) Closely allied with the third option are loan guarantees, where funds are established and used to leverage/underwrite loans from other sources, such as commercial banks. Conceptually, the loan guarantee service is similar to the revolving loan alternative in that with each the basic fund used to supply financing is designed to be perpetuated. The two differ in that direct loan programs are administered by program staff, whereas much of the administration in cases of loan guarantees is conducted by the third party who accepts the guarantee as incentive to lend to guaranteed applicants.

Each of these alternatives has relative advantages and disadvantages, depending upon the financial needs of a client

population. The first two options, for example, are most appropriate for individuals with very limited financial resources who would otherwise be unable to repay any credit obligations, regardless of the degree to which those are subsidized and/or deferred. The best mix of services for any organization will be that which reflects prevailing financial needs among program clients.

Document Focus

Having identified a range of potential financial services, the remainder of this document will focus on the third and fourth options involving perpetuation of a revolving fund. Two reasons form the basis for this focus. First, there is a relative dearth of such credit programs around the country. It is the author's contention that the supply of such revolving fund programs is not reflective of the financial needs that exist, which revolving funds are designed to address. This document is meant to encourage wider implementation of revolving funds used for equipment financing.

Second, an important feature of the revolving fund concept is that it provides credit opportunities for successful borrowers, giving it particular merit for study. Giving someone an opportunity to demonstrate responsibility in repaying a loan allows that person to begin establishing a sound credit record, serving that individual well into the future. Referring back to the fishing analogy, helping someone establish a good credit history parallels teaching someone to fish. Each intervention better enables an individual to meet ongoing needs.

Establishing and administering a revolving fund can involve significant organizational resources and must be pursued thoughtfully. This document is designed as a guide for organizational officers who may consider integrating such a program into their existing mix of client services. It explores both service design possibilities and inherent financial issues that are critical to consider when determining the ongoing viability of any program.

As noted earlier, some organizations presently offer revolving loan services. A sample of these have been studied in depth as background for this document. Each program's experiences and insights are reflected in the analysis that follows.

This introduction would not be complete without acknowledgement of the organizations that contributed to the level of understanding portrayed in this document. Appendix A lists those programs. Some contributed through telephone conversations and exchange of written material. Others provided more detailed

information and insights during site visits by the author. Each program is to be commended for pioneering the concept of the revolving fund and for the openness with which they reported their experiences. It is that frankness that gives this document its value. Hopefully the collective insights presented here will allow other organizations to design similar programs that incorporate the strengths of predecessors while avoiding potential pitfalls.

The remainder of this resource guide is organized as follows. Chapter II explores design and operational possibilities associated with a revolving fund program. Chapter III investigates the financial realities of providing that program. It encourages planners to judge carefully the ongoing viability of any desired program prior to its implementation.

The subsequent responsibilities of establishing the revolving fund and marketing the service are considered in Chapters IV and V, respectively. Chapter VI examines in more detail the concept of using a revolving fund to guarantee commercial loans. Chapter VII concludes the document with a short summary and a checklist of program planning/implementation questions raised throughout the guide.

CHAPTER II

Designing the Service

Before any attempt is made to establish a revolving fund it is imperative that time be invested in planning the design of the financial service. In many ways the service can be more important than the money itself. Without a well defined service, the money may be delivered haphazardly. Repayment of the money also may be less certain, jeopardizing the perpetuity of the fund. Careful planning can benefit program staff by anticipating potential logistical problems and minimizing those accordingly. Furthermore, taking time to design the service should expedite subsequent fund raising efforts by demonstrating to a funding source that careful thought has gone into use of its money.

It would be presumptuous to describe the ideal credit financing service. There is too wide a range of possibilities, each having relative advantages and disadvantages, depending upon unique program situations. It remains the responsibility of each program to determine the service that is best tailored to its situation. It is possible, however, to assist in that process by exploring some basic components of any financial service.

There are six basic questions that should be answered when designing the service. Those are:

1) What is the need among program clients?
2) What are the essential features of the service?
3) What is the application process?
4) Who is responsible for controlling the fund and for authorizing financing?
5) How is repayment monitored/ensured?
6) What are the personnel requirements?

Each of these is explored in some detail in the following pages. The analysis includes examination of selected programs that have established revolving fund services, exploring how they have resolved key issues. This is intended to guide other program administrators and planners in designing their own services.

Assessing the Need

Heretofore it has been assumed that most readers have identified a need for credit financing opportunities among their constituency. That assumption, however, may be a bit ambitious. Some people may be leafing through this guide because they are beginning to suspect a need for some type of financial support, but have not as yet isolated the need nor determined the optimal

support. Others may have picked this up simply because of idle curiosity. Still others may have a specific service in mind, but may not have assessed need sufficiently within their service area to substantiate such a predisposition.

Whatever one's particular situation, designing a financial service is best begun by gauging financial need among one's service area population. The need for equipment financing is but one type of need. It may or may not be among the more critical of one's constituency. Furthermore, as pointed out in Chapter I, financial need can vary significantly among individuals, influencing the key features of the financial service of choice. Taking time to investigate the prevailing financial needs of one's client population will help avoid future problems due to inappropriate service design and resultant unmet need.

Conducting a needs assessment will not only help an organization select an appropriate mix of services, it should also result in development of realistic service goals. It is highly recommended that findings of the needs assessment be translated into program goals, such as an estimate of the number of persons who might apply and be eligible for a service on a monthly/annual basis. These service goals will prove very useful in subsequent steps of the planning process (see sections on Costing the Service and Determining Fund Size).

It is not the purpose of this document to describe in detail needs assessment strategies. There is both an art and a science to needs assessment that is beyond the scope of this manual. A number of useful documents exist related to needs assessment techniques for non-profit organizations. The reader is encouraged to tap into those. A valuable starting point might be to refer to a 1984 publication of the National Easter Seal Society entitled "Conducting Needs Assessment: A Program Portfolio Resource Manual" (National Easter Seal Society, 1984).

Although this document is meant to encourage and facilitate greater implementation of credit financing alternatives using revolving funds, that encouragement is reserved only for programs which can identify a need for such financial support. First and foremost, this document subscribes to the tenet that client needs should dictate the mix of services offered by any provider organization. Assuming, however, that program administrators have identified a need for credit financing, we can now proceed with exploration of design and implementation issues related to provision of a revolving loan/loan guarantee service.

Features of the Financial Service

The central feature of the revolving fund model is that it relies upon perpetuation of at least the base fund used to supply

financing. It is this feature that distinguishes it from grant programs, where the pool of money from which grants originate is exhausted and replenished periodically from external sources. It is this feature that makes the model most attractive. If the fund is successfully perpetuated, it can be drawn upon on an ongoing basis to meet continuing financial needs.

Aside from this central feature, other service attributes can vary significantly. The following examples demonstrate some of the possibilities.

- The Florida Lions Conklin Center, through its High Technology Rent Fund, purchases and retains title to necessary equipment. In turn, each piece of equipment is rented to a client for as long as five years. Upon completion of the rental period, ownership is transferred to the client at no additional charge. Rent is paid on a monthly basis. Payments include the equipment purchase price and the cost of a maintenance contract from the supplier. No interest nor administrative costs are charged to the renter. There is no down payment other than the first month's rent.

- United Cerebral Palsy Association of Michigan uses their Independent Living Revolving Loan Fund (ILRLF) to provide no-interest equipment loans directly to applicants. A ceiling of $3,000 is placed on most loans. The repayment schedule is negotiable, ranging from two to five years. No down payment is required and repayment is expected monthly.

- The Committee on Employment Assistance of the California Council of the Blind offers a five percent loan to individuals seeking financing for employment-related aids and devices. Loans are made for periods of one to three years. Borrowers hold title to the equipment with the California Council of the Blind retaining the trust deed.

- Although no longer operational, a financial service demonstration project conducted by Project Job Site of the Vera Institute of Justice had noteworthy features. Project Job Site would purchase a piece of equipment and lease it to a client, retaining ownership themselves. The lease could be made for up to six years. At the end of that period, the lessee had the option to purchase the equipment for its residual value, usually placed at one dollar. The fund used to support the service was established by borrowing money

from two local foundations. Terms of each foundation loan called for payment of a seven percent interest rate, which was charged, in turn, as part of a lessee's monthly lease payment. Since Project Job Site retained title on each piece of equipment, they made certain that the equipment had adequate warranty and insurance coverage. These costs, too, were reflected in the lease payment.

° The New York Department of Social Services (DSS) administers a new "Equipment Loan Fund for the Disabled." The fund was authorized by the state legislature in 1985 to provide "low interest loans for the purchase of essential equipment necessary for disabled individuals to overcome barriers in daily living or vocational functioning following rehabilitation." (Chapter 609, Sections 326a and 326b of the Social Services Law) Loans can be for sums between $500 and $2,000.

The term of a loan can vary from two to five years. Usually an annual interest rate of 9% is charged. If, however, the average interest rate for 91-day Treasury bills within any calendar year is equal to or less than 9%, the equipment loan rate becomes 8%. Loans are available either to persons who are disabled or family members.

° The California Department of Rehabilitation is currently in the early implementation stage for a Supported Employment Revolving Loan Guarantee (SERLG) project. The Department is negotiating an arrangement with a commercial lender whereby guaranteed loans are made to persons with disabilities to finance purchase of equipment deemed necessary for supported or competitive employment. Additional features of the program are still being worked out with the candidate bank. The California Assembly has appropriated $200,000 to a separate revolving account to be used to guarantee the commercial loans.

These examples indicate that there is a wide range of possibilities for designing the features of a credit financing service. They suggest the following questions, which should be considered when designing one's own service.

- Will the service be used to provide financing directly, or to guarantee money from other sources?
- Will a down payment be required?
- What costs, beyond the principal, will be included in the loan? Interest? Warranty/Insurance? Delivery? Administration? Overhead?

- What will be the term of the loan?
- How frequently will payments be charged?
- Will repayment of the loan begin immediately, or will there be an option to defer repayment for a period of time?
- Based upon the costs to be included and the timing of the payments, what range of installment payments can be expected?
- Who will have title to the equipment? Will there be any collateral?

It is important that program planners explore the possibilities represented by these questions. As these are discussed, the key features of the financial service should begin to emerge through consensus.

It should be anticipated, too, that when considering program attributes, serious trade-offs may be identified. For example, one issue raised repeatedly among administrators of existing financial services is the difficulty in balancing the perpetuating feature of the loan program with the more philanthropic mission of the organization. Administrators noted a frequent struggle to maintain a creditor philosophy when faced with clients who would not be able to repay even the principal on a loan, let alone other associated costs. If one relaxes repayment requirements, more clients will obviously be helped, as long as the funds last. Conversely, subsidizing the service too much will jeopardize the integrity of the base fund, making future financial support more difficult.

There is no easy answer to this issue. The financial needs of the population segment being targeted for the credit financing service must be kept firmly in mind. Providing credit is not something that will benefit everyone. So too, the degree of credit must be planned carefully, again based soundly upon population need. The Conklin Center, as an example, has explicitly decided to exclude interest and administrative costs from monthly rental charges under their High Technology Rent Fund because including those costs would make monthly payments prohibitive for the principal groups of people they aim to serve through the program. Perhaps instead of designing one service to meet all needs, an organization might decide to establish several types of financing, originating from separate accounts, designed for groups with different financial profiles within its service area. Regardless of how one deals with it, there will undoubtedly be tension between organizational mission and the business orientation required when providing credit financing services. That tension will be referred to frequently throughout this document.

Having defined the key features of one's revolving fund program, it becomes expedient to resolve some of the more logistical issues, such as the application process, responsibility for control of the funds/determination of applicant eligibility, and the process whereby repayment is monitored.

The Application Process

It is advisable, before the fund is established and promoted, to outline the application process whereby potential clients will obtain financing. As with any program where there is even a hint of available money, one should expect significant demand for those funds. Careful thought should be given to how financing requests will be handled. This will greatly reduce confusion and frustration among all parties involved.

The following are some basic steps required of any application process:

- Initial contact
- Preliminary information exchange
- Information verification/additional information exchange
- Applicant profile/eligibility recommendation
- Financing approval/denial
- Provide financing

Initial Contact. When planned effectively, the initial contact can be time well spent. Some of the preliminary information can be exchanged at that point. The potential applicant may receive enough information to judge whether or not he/she is eligible for the service. The contact is also an opportunity for an organization to demonstrate its goodwill.

Who is responsible for handling the initial contact? Can that be handled by clerical staff? Should the program administrator be involved? To whom should the client talk as a contingency when the primary contact is unavailable? What information should be exchanged? These questions should be considered in planning logistics of the revolving fund service. They suggest, too, that some staff training may be involved in preparation for handling initial application requests.

> People at United Cerebral Palsy Association in Michigan pointed out that sometimes clients contact the organization without a clear understanding that what they need might be financing, or even equipment. They are seeking help for a problem and may not have identified a solution as yet. Well trained staff will help interpret and channel these requests to the appropriate staff person.

When the initial contact is conducted smoothly it reflects positively upon one's organization, even if the client decides against continuing the application process.

Preliminary Information Exchange. The initial contact is best followed up by sending some sort of application form to the applicant. Most organizations with revolving funds have developed such forms. Those who have not have indicated future plans to do so.

Designing an application form can be a rather involved undertaking. One's organization might already have a form that will serve the purpose. Forms from other programs may provide some ideas. A few sample forms are attached in Appendix B.

Whether borrowing existing forms or starting from scratch, it will be useful when selecting a form to involve those persons who will be managing the program, as well as those who will be making final approval/denial decisions. This will ensure that appropriate information is exchanged in early stages of the application process, thereby expediting subsequent credit decisionmaking.

Information Verification/Additional Information Exchange. In most cases, this step will require significant staff time. In verifying applicant information, references will need to be checked. The appropriateness and price of the equipment being financed may need to be ascertained. Certain information may need to be clarified with the applicant.

Interestingly, a conventional means of checking credit (e.g., belonging to a credit bureau) has been avoided by most existing programs. UCPA of Michigan, in fact, originally belonged to a credit bureau but terminated that arrangement. They found that most of their applicants had no credit history and were therefore not listed with the bureau. They decided that a fundamental purpose of their loan program was to accept applicants who otherwise would be considered poor credit risks, and, as part of their service mission, help those individuals establish sound credit. As a result, an applicant's status with a credit bureau became a moot point.

Many established funding programs use the information verification/exchange period as a means to counsel applicants. The program director at UCPA of Michigan, for example, works closely with applicants in scrutinizing their monthly income and expenses, helping them to budget for the additional loan expense. Staff at the Conklin Center explore financial and equipment options with applicants.

These examples demonstrate the tendency for many service organizations to approach their particular revolving fund program as more than just a financial service. The application process becomes a vehicle for teaching clients budgeting and consumer skills and for advocating establishment of sound credit records. These all can serve a client well into the future, beyond any one loan period.

Applicant Profile/Eligibility Recommendation. It can be assumed that in previous phases of the application process, the staff person responsible for conducting the process will have formed a reliable profile of the applicant and his/her credit worthiness. Rarely, however, will that staff person be the sole decisionmaker regarding whether to accept or deny financing. In most cases, a decisionmaking board will be established to make final credit determinations (see section on Control of the Fund). As a result, there will need to be some mechanism established for communication between the person who is most familiar with a given case and the group responsible for ultimate decisionmaking.

With most existing programs, the staff person who has been working with an applicant is expected to document perceptions and recommendations for that case. Those are then forwarded to members of the decisionmaking board prior to their meeting. In general, the staff person attends that meeting and contributes to the final decision.

Financing Approval/Denial. This has the potential for being one of the most difficult steps in the application process. Again, the inherent conflict between the desire to help every client and the need to perpetuate the loan fund may create decisionmaking problems, particularly in cases where an applicant demonstrates very marginal credit worthiness.

Administrators of established revolving loan funds cited the importance of maintaining flexibility when making approval/denial decisions. It was pointed out repeatedly that reserving the right to treat each applicant individually is one way in which the program's service mission can be balanced with its financial support purpose. Again, however, flexibility may be desirable, as long as the fund is perpetuated.

Three factors could greatly facilitate this final decisionmaking. The first is the amount of work that is put into preceding steps of the application process. In general, the more familiar program staff become with applicants, the less uncertain are the credit risks that are taken. Investing time in early steps of the process may screen many applicants who clearly do not qualify for credit financing.

The second factor is the composition of the decisionmaking body. The persons who are asked to serve as final decisionmakers will influence significantly the types of decisions that are made. This topic is discussed in more detail in a later section (Control of the Fund).

Third, there is the possibility of establishing policies to guide final decisionmaking. Some structure can provide useful support for program staff and the advisory board, so that they are not faced with a carte blanche decision in every case. Most existing programs have not used this alternative, deciding instead to rely primarily upon the discretion of the decisionmaking board. This remains consistent with the desire of many programs to maintain as much flexibility as possible.

In some cases the board initially will not feel fully apprised of an applicant's situation to make an approval/denial decision. They may request that additional information be gathered. UCPA of Michigan's trustee committee, for example, has the option of periodically recommending a staff site visit of an applicant's home/work environment to further determine that person's situation. The cost of each site visit is covered by UCPA of Michigan. This option is reserved for exceptional cases.

Provide Financing. Perhaps the most rewarding step in the process is actually delivering the financing. Administrators of established programs suggest that delivery of the money be contingent upon receipt of a signed document obligating the borrower to repayment of the loan and any other costs that are to be included. This may sound obvious, but it should be followed strictly.

The Conklin Center developed a legal contract based upon similar contracts used by various rent-to-own appliance dealerships in the area. The program administrator observed that these vendors were providing financial services that paralleled the one being planned by the Conklin Center. Approaching those vendors for information proved very fruitful. They all tended to be eager to help, giving valuable tips on how to conduct the credit services and lending their expertise to design of the Conklin Center's rental contract.

Conduct of the entire application process can be a very time consuming enterprise. The Conklin Center aims for completion of each process within a two week time frame, which is appreciated by the client, but can be hectic for the staff. Of course, the more time invested in the process, the more confident the program decisionmakers can be about an applicant's credit worthiness. There is an inherent trade-off, however, in that time can be a precious commodity, for program staff and for the applicant. There will be a constant need to balance these countervailing constraints.

Completion of the application process does not mean an end to the program's involvement. In fact, the end of the application process has been set somewhat arbitrarily at the point at which financing is provided and repayment obligations established. There is a subsequent need for the program to monitor repayment, a process examined in a later section.

Control of the Fund

As indicated earlier, most revolving loan programs use decisionmaking boards to authorize financing and to control use of the base fund. This practice is highly recommended. Depending upon the composition of the board, it can facilitate the work of program staff. It may also be a mechanism for establishing liaisons with other important organizations in the community. The board may also prove useful in establishing and expanding the base fund. Designing the composition of the board, then, can be an important undertaking.

- The Conklin Center uses a twelve member Cooperative Board, with statewide representation. Board members include persons who are well versed in computer technology, persons who are experienced users of specialized sensory aids, and the four district managers of the Florida Division of Blind Services (DBS). A valuable, originally unexpected benefit has been derived from involvement by this latter group. The Conklin Center has found that approximately ten percent of the applications reviewed by the Cooperative Board are identified by the district managers as appropriate for DBS. Those are transferred to DBS, the applicants receive needed equipment and DBS has additional case closures.

  Originally the Cooperative Board met quarterly. They now meet on an annual basis. The costs involved in gathering the group more frequently proved impractical. In addition, the program presently has a substantial list of approved applicants awaiting funds to be repaid. This waiting list has obviated the need for more frequent board meetings at this time.

- Project Job Site used a seven member board to control its equipment lease funds. The group included the program administrators, fiscal/executive officers of the Vera Institute of Justice (Project Job Site's parent organization), and representatives from the two foundations responsible for lending money for the base fund.

° United Cerebral Palsy of Michigan uses a two to three member trustee committee comprised of local banking and civic leaders. The committee meets on an as needed basis. As money is repaid to the fund, the committee meets to consider additional applications.

There are potential roles for such decisionmaking boards in monitoring repayment of approved loans as well. Certainly, a board will need to be apprised of repayment activity in order to make subsequent authorizations. At the very least, this will require program staff to periodically review and report on the status of outstanding loans.

Monitoring Repayment

As emphasized earlier, organizational responsibilities do not end with provision of a loan. Program resources must also be earmarked for monitoring repayment of the loan. Careful thought must be given to how cases of delinquency and default will be resolved.

The adage that an ounce of prevention is worth a pound of cure certainly applies to monitoring repayment of financial obligations. If a program devotes adequate resources to staying on top of loan repayments, it can be expected that rates for timely repayment will be maximized and delinquency/default rates minimized.

Most administrators of established revolving fund programs admitted not planning nor spending adequately for the monitoring process. In general, programs have adopted a reactive rather than a proactive approach to that process. Borrowers are expected to meet their payment responsibilities on schedule. Some programs send receipts to clients after each payment is made; others do not make any formal acknowledgement. Most administrators indicated that significant staff time is spent in contacting clients after they miss a couple payments. At the same time, most programs do not have clear guidelines as to what is considered a delinquent payment, what is considered a default, and when and how staff should respond to borrowers who are delinquent or in default.

Having gained first hand experience, those administrators now recognize the importance of more proactive efforts in monitoring repayments. One strategy recommended independently by various administrators is the use of coupon books. There was general consensus that giving each borrower a coupon book would serve as an effective reminder of scheduled installments, as well as impress upon clients the importance of their obligations. It was presumed that such proactive strategies would diminish delinquency and default rates.

Another recommended strategy is to maintain up to date records on the status of each loan. The Conklin Center sets up a file on each applicant as soon as a loan is made. Each file is reviewed routinely to monitor its status. There is no limit to the amount of creativity that can go into design of a record keeping system. Computerization might even be considered. Regardless, establishment of a system of any kind is strongly encouraged. Such a system will prove valuable for program evaluation purposes and for providing future credit references for clients.

A more proactive approach can be very consistent with the overall mission of a service organization. A natural extension of such an approach might include budget and credit counseling of borrowers by program staff when payment delays first occur. The loan monitoring process, like the application process, can be an opportunity to teach clients financial independent living skills.

Handling Delinquency/Default. In cases of prolonged delinquency and default, one should expect reemergence of the fundamental clash between the organizational service mission and the need to perpetuate the revolving fund. How often might this dilemma arise? How should it be resolved? These are difficult questions, but ones that are best considered in the planning phase.

To put the problem in perspective, the majority of borrowers will tend to repay their obligations on schedule. It is only a relatively small number of cases that will prove awkward. The Conklin Center, for example, furnished the following data:

- 27 clients have never missed a payment
- 10 have occasionally missed a payment, but there is no real problem
- 7 have needed monthly contact from the staff to keep up regular payments, and will skip one or two payments per year
- 3 have refused payment, apparently with good reason, because the equipment was used (misrepresented as new) and tended to malfunction
- 13 have been very slow or behind in payments. The equipment has been, or needs to be, repossessed

UCPA of Michigan administrators indicated that, of the 71 loans they have made as of November, 1986, eight to ten borrowers require regular prodding to make payments. Two or three of those should probably be considered as defaults. Administrators from both programs indicated confidence that these patterns could and would be improved as their application processes become more refined and as more proactive monitoring strategies are pursued.

These data are extremely valuable. They give insights into what any service organization might expect if it decides to get into the credit business. Although controls can be implemented, there will always be situations where difficult decisions will be required. It is best to anticipate those situations and to plan accordingly. It is highly recommended that planners consider the following issues related to treatment of prolonged delinquency and default:

- When should payment delays be considered delinquent? When should they be considered in default?
- How should program staff respond in each case?
- Should the program establish forebearance policies?
- If so, what policies should be subscribed to regarding loan deferral? Refinancing? Rescheduling? Forgiveness?
- In cases of default, should the loan just be written off, or should equipment repossession be pursued?
- Should program staff be responsible for repossession, or should a collection agency be involved?

These policy questions are not easy to answer. They are best addressed in advance, however. Well conceived policies will support program staff in their work. They can also be communicated to applicants up front, so that each borrower is apprised of what might happen if excessive payment delays occur. Such policies should also be spelled out in the contract signed by the borrower.

Collecting equipment in cases of delinquency can be logistically difficult too. Since their program rents equipment, the Conklin Center deals frequently with equipment pick ups. They have found that most people are amenable to relinquishing possession of their equipment, as long as the Center collects it. Their service area is statewide, requiring substantial staff time and travel for collection. These costs will need to be considered with any program, and either factored into loan payments or subsidized.

In summary, monitoring loan repayment activity is a very important process. Tough issues will need to be considered related to periodic cases of delinquency and default. Most borrowers, however, will tend to repay their obligations on time. There are various controls that can be instituted to maximize this proportion.

Two control strategies have particular merit because they provide opportunities to impact client credit seeking potential into the future. The first is establishment of a sound record keeping system. Not only will this facilitate monitoring present loans,

but can be used for future credit references. The second is, using the record keeping system, to provide timely counseling of clients as to budgeting and credit skills. Taking advantage of these counseling opportunities is analogous to teaching someone to fish.

Personnel Considerations

As might be supposed, personnel requirements are important to consider when planning the credit financing service. A great deal of the program's success/failure will hinge upon choosing the right personnel and supporting them adequately in their work.

Some of the work will be clerical in nature, such as handling initial application requests, conducting correspondence, and updating records. A great deal of the work will involve professional time as well, including establishing the base fund, developing applicant profiles and subsequent recommendations, working with the decisionmaking board, and providing budgeting assistance and counseling. Some tasks, such as reference checks, loan monitoring, and equipment collection might be done by either clerical or professional staff. Volunteers may be another option for performing certain tasks. It is recommended that careful thought be given to what needs to be done and who needs to do that work. Capturing those expectations in formal job descriptions is also highly recommended.

United Cerebral Palsy of Michigan estimates that four to six hours per week of professional time are required to handle the loan application/monitoring responsibilities. An undetermined, but significant amount of clerical support is provided as well. It should be pointed out that these staffing estimates are for handling a relatively inactive revolving fund. The fund is often depleted, resulting in periods where no applications are considered. Conversely, there are cycles where more substantial staff time is involved, when the fund is replenished enough to support additional loans.

The Conklin Center estimates that one-half full time equivalent (FTE) of professional time is required to administer their High Technology Rent Fund, at its present scale. This includes a great deal of time for consultation, travel for equipment collection and phone calls. The Rent Fund program also encounters periods of loan inactivity due to depletion of the base fund. The administrator estimates that to meet total need statewide, ideally a fund of one half million dollars would be needed, with one FTE of professional time.

CHAPTER III

Costing/Pricing the Service

The preceding chapter explored issues in designing a revolving fund service. Hopefully by this point program planners have begun to envision a service that will address service area need while remaining consistent with organizational goals and strengths. Fleshing out the elements of that service will require some further planning. It is strongly recommended that, as the planning continues, planners now begin to incorporate cost estimates into the discussion process.

This chapter considers three fundamental questions:

1) How much will it cost to provide the service being designed?
2) How many of those costs will be charged to clients in the price of the loan?
3) Given cost and price realities, can the service be provided?

Investigating the first will generate realistic expectations as to whether the desired program is feasible, or whether it could lead to unacceptable financial drain to the organization. Considering the second question will help to resolve one of the most important features of the service -- price. It will also ensure that, if the agreed upon price does not cover all of the estimated costs, that any subsequent decision to subsidize the program, if made, is made explicitly. Of course, to maintain the financial integrity of the service, any subsidization decision must be followed with efforts to make up the difference between cost and price from other sources. The third question provides an opportunity to pause and seriously consider the feasibility of the desired service one last time before implementation of the service begins.

Estimating Costs

At this stage of the planning process all philanthropic motives should be suspended, at least temporarily, and program planners must focus on what it will cost first to establish the program and then to provide the service. It is essential that this cost accounting be conducted as openly and as thoroughly as possible, including consideration of both direct and indirect costs. There is nothing to gain from ignoring certain costs. There is potentially a great deal to lose down the road if failure to meet those costs begins to undermine the viability of the service.

As a first step in estimating service costs, one must return to the needs assessment that was conducted earlier, and to the service goals that were loosely formulated (see page 7). Those should be refined into an estimate of the volume of loan application activity to be expected. The following questions should be reexamined:

- How many people in our service area, when informed of our service, might apply?
- What might the timing be of those applications when the service is first offered? How about in the future, as the program matures?
- What percentage of applicants will be eligible for the service? How many might be screened through initial contact? What percentage might be screened in subsequent steps of the application process?
- How do these projected application patterns translate into staff activities (monthly/annually)?

Determining the final question is a critical prerequisite for estimating program costs. As Chapter II suggests, the revolving fund service is generally very labor-intensive. Estimating costs will hinge upon the assumptions that are made about volume of loan activity and the staff time requirements that result.

The second set of questions, above, suggests one other important factor -- time. One of the few absolutes in designing and implementing a revolving fund program is that it will take time for the program to evolve from when it is first offered to a point where it can be maintained at a fairly homeostatic level. Planners must recognize this distinction between program start up and program operation. This distinction has implications when establishing the revolving fund (Chapter IV). It also has ramifications for estimating costs. Start up costs will tend to differ significantly from operating costs, and therefore should be estimated separately.

Start Up Costs. How long a period can be expected between when the service is first implemented and when some regularity in application flow and in staff activity is achieved? One year? Three years? Five years? What types of responsibilities will staff have in this start up period? How much time will be required for each task?

There will tend to be a significant amount of professional time required when initiating the revolving fund program. Fund raising efforts will need to be pursued, and may require time from executive level officers as well as from program managers. Policies may need to be established and refined in response to

unanticipated problems arising. Forms, brochures and coupon books will need to be designed, resulting in high initial printing costs.

Depending upon how extensively the program is marketed, there may be an initial flurry of application activity as clients respond to previously unmet needs. This will impact clerical and professional time allocations. The decisionmaking board may need to meet relatively frequently as well, influencing any associated costs. Program officers can control this flurry somewhat through well planned marketing/outreach strategies, as is discussed in Chapter V. The fact that there will probably be an initial surge of loan requests, however, should be anticipated, estimated and costed.

Estimating the start up period, staff activities during that period, and associated costs are left to each organization. A sample first year budget has been drawn up in Table 3.1 (page 24) to guide planners in their estimation efforts.

Of course, Table 3.1 is based upon some fundamental assumptions that are open to reinterpretation based upon each organization's unique situation. The budget provides a useful framework, however, for planners to develop their own sets of assumptions and plug in their own numbers.

It is highly recommended that an annual budget be projected for each year in which a program is still expected to be in its start up phase. If this takes three years, develop three pro forma budgets that reflect the cost of time and other resource requirements as they change over that period.

Operational Costs. What will the scale of the service be after the initial surge of loan requests is over? At what plateau can one expect applications to settle (monthly/annually)? Again, best guess answers to these questions will form the basis for estimating ongoing operational costs for the revolving fund service.

In general, professional time will be reduced because there will not be as many programmatic fires to put out. The service will be more self-maintaining. Some professional time might be channeled to other lower paid staff. Perhaps some of the budgeting/credit counseling could be conducted by another staff person, or by volunteers. Clerical time may or may not change, depending upon how the volume of applications changes from the start up to the operational phase. The advisory board may not need to meet as often, reducing staff time for planning those meetings, meal costs, etc. Printing and other costs will tend to level off as well.

TABLE 3.1

Sample Estimated Annual Start Up Budget
Revolving Loan Fund Service
Year 1

I.	Personnel		$43,500
	1 F.T.E. Professional @ $25,000	$25,000	
	3/4 F.T.E. Clerical @ $15,000	$11,250	
	Fringe Benefits @ 20%	$ 7,250	
II.	Staff Travel		$ 500
	2,500 miles @ $0.20/mile	$500	
III.	Advisory Board Meetings		$ 600
	Meals (monthly @ $50.00/meeting)	$600	
IV.	Printing		$ 1,000
	Design and Printing of Brochures, Coupon Books, Applications, Contracts, etc.	$1,000	
V.	Initial Legal Service	$500	$ 500
VI.	Other		$ 700
	Telephone	$300	
	Copying	$150	
	Postage	$100	
	Supplies	$150	
	TOTAL DIRECT		$46,800
	TOTAL INDIRECT (@ 33%)		$15,444
	TOTAL	$62,244	

39

Table 3.2 (page 26) presents another sample budget reflecting some of these assumptions. Again, the budget is only meant to guide planners as they generate their own estimates.

Program planners should consider factoring opportunity costs into their estimations. There is an opportunity cost to lending money from the fund. If it were not loaned out, that money could be used for another purpose, if only to earn income while sitting in a passbook savings account. Opportunity costs are usually considered a cost of doing business. Banks certainly factor those into their cost structures. Revolving fund planners should consider doing so as well.

The cost estimation process should prove enlightening. The conscious effort to approximate the costs involved in providing a revolving fund service will result in clearer understanding of the financial implications for the service organization. It also serves as a sound foundation upon which to examine pricing issues.

<u>Pricing the Service</u>

Determining a price to be charged for providing the revolving fund service is one of the most important and perhaps most difficult steps in the planning process. At this point, some planners may feel a need to rescue their philanthropic hats from temporary suspension, but their business hats should not be placed too far away.

There is both a science and an art to pricing. The scientific aspect involves tabulating total estimated costs of providing a service and, assuming no profit is required, dividing that total by the estimated number of people who are expected to benefit from that service. The art involves generating the cost and volume estimates. It also might entail modifying that price if it seems too high for the target market to bear. Price, volume and cost are all interdependent. It will often require several creative reiterations before an acceptable balance is reached, if at all.

There is no way to prescribe an optimal price to charge, but it is possible to describe a range of possibilities. At one extreme is a price that recovers the principal of a loan and all costs that are expensed by the organization in providing the loan (assuming non-profit status, a margin of profit is not included here). Since the focus of this document is on perpetuating funds, at the other extreme is a price that charges nothing but the principal of the loan. A mark up of a few percentage points may be included in this lower level price to reflect leakage of funds through default.

TABLE 3.2

Sample Estimated Annual Operating Budget
Revolving Loan Fund Service
Year 5

I.	Personnel		$34,200
	½ F.T.E. Professional @ $30,000	$15,000	
	3/4 F.T.E. Clerical @ $18,000	$13,500	
	Fringe Benefits @ 20%	$ 5,700	
II.	Staff Travel		$ 400
	2,000 miles @ $0.20/mile	$400	
III.	Advisory Board Meetings		$ 200
	Meals (quarterly @ $50.00/meeting)	$200	
IV.	Other		$ 800
	Printing	$100	
	Telephone	$300	
	Copying	$150	
	Postage	$100	
	Supplies	$150	
	TOTAL DIRECT		$35,600
	TOTAL INDIRECT (@ 33%)		$11,748
	TOTAL	$ 47,348	

32

Ideally, from an organizational perspective, the price of the service should be close to, if not at the upper end of the continuum. The previous section emphasized dramatically the costs that an organization can expect to incur in providing a financial service. If those costs are not factored into the price of the service, they will have to be recovered, routinely, from other sources. This can further strain annual organizational fund raising capabilities and risk the ongoing vitality of the financial service.

Of course, the organization cannot ignore the target market in its pricing strategies. The interdependence of price and service volume was alluded to earlier. The higher the price, the smaller the number of people who will be able to take advantage of the service. An organization may not be able to charge its optimal price because the market may not be able to bear that price. If not, the organization may elect to subsidize a portion, or all of the costs of rendering the service, depending upon what its target market can afford.

What <u>can</u> the market afford? Therein lies the crux of the art of pricing. There is no scientific formula for determining the answer. Hopefully, the initial needs assessment (Chapter II) provides some insights. In addition, recognizing the range of possible prices, a simple mathematical model might be developed to outline various "what if" scenarios. What if the program charged full price for each loan? How many people would apply/qualify, and what might be their monthly payments? What would service volume and average monthly payments look like if only the principal was charged? What if a few other operational costs were added to that price? Many commercially available spreadsheet software packages now have the capacity to handle such modeling needs. The trick is plugging in accurate figures based upon sound assumptions. Conducting this exercise and translating each scenario into potential monthly payments for clients should help program planners arrive at a best estimate as to optimal service price.

This will only be a best estimate and, as such, may require periodic modification over the life cycle of the program. One useful rule of thumb is that initial prices should err on the conservative side, where more costs rather than less are covered in the price. It is far easier to lower a price than to raise it, as can be verified by numerous program managers who have started out subsidizing too much only to encounter a great deal of friction and ill will when attempting to rectify the situation.

Exploring these "what if" scenarios will also provide an opportunity to reexamine other aspects of the service. Wrestling

with the pricing issue may force planners to go back over their previous cost estimates, as well as the assumptions underlying those estimates. So too, planners may find a need to reexamine some of their decisions regarding design of the service. Certain features may be trimmed or deleted as cost-cutting measures. Such is the iterative nature of the planning process.

The pricing process is complete when decisionmakers arrive at a price that is both one that they are confident the target market can afford and one that the organization can support comfortably. Again, ideally that price reflects the total cost of providing the service. More likely, however, the realities of this type of service will dictate that the price be subsidized somewhat. The numbers of people benefitting from the service will tend to be small, with relatively meagre financial resources. The small volume of demand will translate into fairly high unit costs of providing the service. Since a decision to subsidize the revolving fund program might be expected, it must be reemphasized that such a decision be accompanied by active efforts to raise funds from other sources to cover all ongoing program costs.

Determining Service Viability

At this point in the planning process it is important to pause, reaffix organizational business hats, and decide if the service, in fact, should be delivered. The process thus far has generated some very thought provoking, perhaps sobering cost estimates. A price, or perhaps a sliding scale, has been determined which probably will result in increased organizational fund raising responsibilities. The service has been designed and redesigned, trimming away non-essential features. Following this point the organization will begin actual fund raising and other more concrete implementation activities. As a result, this is the last convenient time for planners to stop and ask if the service is really worth providing. If the decision is no, the organization will have arrived at that decision incurring relatively little cost. If, on the other hand, the decision is yes, organizational officers can proceed with confidence in implementing the service.

PART TWO

IMPLEMENTING THE SERVICE

CHAPTER IV

The Revolving Fund

Having formally decided to continue with efforts to implement a revolving fund service, attention is directed to the fund itself. Planners must determine the desired size of the fund and proceed to raise money to establish the fund.

Determining Fund Size

Chapter III outlined the distinction between program start up and operational phases. This distinction implies that the fund may not need to be established in one massive fund raising effort, but may be developed in stages. If, for instance, planners expect the service to be fully operational in three years and that demand will increase linearly during that period, they can target raising one-third of the fund in each of those first three years. The reader is invited to supply his/her own start up assumptions.

That still leaves the task of estimating the size of the fund necessary to support the service once it is fully operational. That "resource-size decision" (Warner and Holloway, 1978) is a fairly generic administrative problem. As such, there is an extensive array of mathematical modeling and operations research techniques available to assist administrators in determining the optimal fund size. These tools vary in their degree of sophistication, but they are all outside the scope of this document. Attempting to describe even one technique would quickly develop into too unwieldy a treatise. The interested reader is encouraged to explore the literature on the subject (see, for example, Warner and Holloway, 1978). In addition, there are specialists in the operations research field, some of whom may be in your organization or available on a consulting basis, who can guide you in your resource-size decision.

Use of such modeling techniques does not release administrators from their ultimate decisionmaking responsibilities. All models require that the problem of concern be defined properly and that critical assumptions be made. A model is just a tool, not a crutch. So as not to leave the reader hanging, it is useful to explore this particular resource-size decision and identify some of the assumptions that will need to be made.

Conceptually, the size of the base fund should be such that, at any point in time, an applicant who is eligible for the type of credit being offered can receive that credit in a timely manner. The fund is analogous to a tub of water. The level of water at

any time is dependent upon four basic variables: a) the amount of water poured in originally, b) the amount being drained periodically, c) the amount trickling back in regularly scheduled returns, and d) the amount of leakage due to failed returns. The objective of a resource-size decision, whether it be a pool of water or a fund of money, is to ensure that the level is such that the tub/fund can be tapped as needed without undue delay. The fundamental decision that needs to be made is how large should the initial pool of water/money be to achieve this objective?

This conceptualization is useful because it frames the assumptions that will be necessary in making the ultimate resource size decision.

1) What is considered a "timely manner" for receiving financing? A week? A month? Three Months?
2) What will be the average demand for (drain on) the funds, on a monthly/annual basis?
3) What are the terms of the loan, and how much can be expected to "trickle" back monthly from each loan?
4) How much "leakage" can be expected, both in terms of delinquency and default?

The reader will be relieved to recognize that most of these issues have already been explored to some degree in previous stages of the planning process. It will prove useful, however, to reaffirm these assumptions in the context of determining the optimal size of the fund. Once reaffirmed, it becomes a relatively straightforward task, using any of a number of available decisionmaking models, to crank out an optimal figure. The difficult questions will have already been addressed.

Before leaving this section, an observation about existing revolving funds deserves mention. Each of the programs studied as background for this manual exhibited symptoms of having inadequate base funds. Without exception, program administrators expressed hesitancy over promoting the existence of their respective services because of a concern that too much demand would be generated. A number of programs instituted policies stipulating that their funds be sources of last resort, sometimes mandating that applicants actually demonstrate inability to acquire commercial bank loans. In many cases, despite these safeguards, base funds were depleted routinely, forcing programs to compile unacceptable waiting lists of approved applicants. These patterns are all symptomatic of revolving funds that are too small. The funds are insufficient to meet either the magnitude or the timeliness of service area demand.

These symptoms also point to potential criteria for eventual evaluation of one's fund size. They suggest that the size of the

fund will be sufficient if it can support a service where: a) loans are made available on a timely basis, b) staff can feel comfortable when marketing/promoting the service, and c) the program does not need to rely upon "last dollar" policies.

Establishing the Fund

Having reached this stage in the planning/implementation process, an organization is now in a very solid position to begin establishing the base fund. Having determined the optimal size of the fund, that now becomes the goal for fund raising efforts. Those funds might be raised through a single campaign, or the organization might target growth of the fund over the entire start up period, thereby making fund raising more manageable and perhaps more attractive to funding sources. Planners may have already approached candidates for the program's decisionmaking board. Those individuals should serve as excellent fund raising resources. So too, having formally gauged the need for the service, results from that assessment will greatly substantiate funding requests. Demonstration of need is an universal and critical segment of any funding application.

Most organizations will tend to have sound fund raising capabilities in-house. Therefore, to avoid "preaching to the choir," this section only touches upon the subject. It explores strategies that have been used to establish existing revolving funds. The interested reader is encouraged to investigate other available resources that treat the topic in more detail. A useful starting point might be to consult your local library. Another source of information is the Foundation Center, an "independent national service organization established by foundations to provide an authoritative source of information on private philanthropic giving." (Foundation Center, 1986).

There are almost as many creative ways of establishing a perpetuating fund as there are loan programs.

- The Independent Living Revolving Loan Fund (ILRLF) of the United Cerebral Palsy Association of Michigan was established through grants from two local foundations, the Mott Foundation and the Jensen Foundation.

- Similarly, the revolving loan fund of the Committee on Employment Assistance, California Council of the Blind, was created through several foundation grants. The program is presently seeking additional foundation money to expand the fund.

- The STORER Center of the Cleveland Society for the Blind (see Appendix A) worked with the Hebrew Free Loan

Association (HFLA) of Cleveland to set aside HFLA funds, on a revolving basis, to help severely visually impaired individuals finance acquisition of sensory aids. (Reeb, 1986)

- The Conklin Center established its fund with grants from the Florida Division of Blind Services' Grants and Donations Fund.

- Independence, Incorporated, a Center for Independent Living (CIL) in Lawrence, Kansas, has established a revolving equipment loan service funded originally with federal money from the Rehabilitation Services Administration (RSA) and subsequently with state money from the State Division of Rehabilitation Services. They have also supplemented the fund by securing County mill levy money (Reeb, 1986).

- Project Job Site secured a five year, seven percent loan from the Ford Foundation and the Manpower Demonstration Research Corporation to establish its equipment lease program on a demonstration basis.

Although somewhat different in their origins, these programs share a common attribute in the creativity with which they developed their base funds. Other program planners are encouraged to be as creative.

CHAPTER V

Marketing the Service

With a properly planned service and a sufficient base fund, an organization is finally ready to inaugurate its revolving fund program. Marketing the service is the reward for all the work one has devoted to planning the service. Chances are good that this will be a very innovative program within the service area. Its existence should be promoted proudly and with confidence that it will effectively address the financial needs for which it has been designed.

The revolving loan program has the potential to be very valuable to your constituency. That value should not be kept secret. The service can mean the difference between obtaining or not obtaining a necessary piece of equipment. Necessary equipment might mean devices that are crucial for living independently or for advancing vocationally, goals that any service organization should be proud to claim a role in facilitating. The fact that the financial service provides opportunities for individuals to develop sound credit ratings is another strong selling point. These are all very laudable service attributes and must be promoted.

Creativity should be the norm when marketing the service. It should begin internally and among an organization's regular clientele. Many organizational staff members deal routinely with outside parties. They should be made aware of the new program, its virtues and its eligibility requirements in order to promote it accurately. Word of mouth, whether from staff to client or client to client, can be an effective marketing approach. An organization might also notify current and former clients included on its in-house mailing list.

Providing a credit financing service has the potential of attracting some people who otherwise would have little contact with an organization. It is important to reach these individuals with information about the service as well. Newsletters and other periodicals abound in this field, in print, tape, braille and even electronic (computer) formats. Frequently editors of such resources welcome news items and will run announcements at little or no charge. Submitting a brief article about the program is another possibility.

There are numerous other organizations with in-house mailing lists. It is not uncommon to persuade such organizations to mail informative announcements to their constituents. The Conklin Center, for example, used the mailing list of a local library for the blind to promote its High Technology Rent Fund.

The Conklin Center also marketed its service indirectly through equipment vendors. They sent copies of their application form to vendors statewide. The vendors, in turn, now serve as useful referral sources.

Of course, persons with disabilities also attend to the same types of marketing channels as everyone else. Public service spots on television or radio, low cost notices in local newspapers, or even longer stories in any of these media might be cost-effective means of marketing one's service.

The bottom line is to estimate the most likely mix of avenues for reaching potential revolving loan clients and to plug into those. When contacting potential clients, do not hesitate to promote the virtues of the service. Its goals are certainly laudable.

CHAPTER VI

Loan Guarantee: A Concept With Promise

The introduction to this document claims a dual focus, on both revolving loan and loan guarantee funds. So far, however, most attention has been given to the former. The reason is simple. Most established, model programs in this field have opted to use revolving funds to support a more direct brand of loan service. At the same time, most administrators who have experience with providing direct equipment loans have shown a great deal of interest when the topic of loan guarantees has been discussed. Some administrators have even initiated that discussion.

The loan guarantee concept is certainly one that holds much promise for stimulating credit financing opportunities. It is a model that has been used extensively in other areas, such as to guarantee student, mortgage and business loans (see U. S. Congressional Budget Office, 1979). It is being used, albeit on a very limited basis, to encourage approval of commercial equipment loans for persons with disabilities. A lengthy search for such innovative loan guarantee models has revealed only a couple:

- The California Department of Rehabilitation is in the beginning stages of a Supported Employment Revolving Loan Guarantee (SERLG) project. $200,000 has been set aside to be used to underwrite bank loans for specialized equipment that enables supported or competitive employment of Californians with disabilities.

- Since 1980, the Caribbean Council for the Blind has been operating a program whereby entrepreneurs who are blind or visually impaired may acquire guaranteed business loans from Barclay's Bank.

These two programs are to be commended for their pioneering efforts to increase involvement of commercial lenders in areas traditionally lacking in credit availability. The relative scarcity of similar programs is unfortunate, given the untested but promising nature of loan guarantees. The model holds enough potential to warrant focused consideration here.

There are many similarities between planning and operating a direct loan versus a loan guarantee program. Many of the issues raised in previous chapters will be applicable when implementing either program. There are also some fundamental differences to recognize and to address carefully. Those similarities and differences suggest advantages and disadvantages to the loan

guarantee model. This chapter explores some of those. It begins by defining the concept of a loan guarantee and proceeds to discuss service design, cost and price issues in context with that model. Considering these issues might encourage some readers to pursue implementation of a loan guarantee program and facilitate those persons in that pursuit.

The Loan Guarantee Concept

At its core, the loan guarantee concept is an arrangement whereby the risk of providing credit to a borrower is shared. There are at least three parties involved: the borrower, the lender and the guarantor. For the purposes of this document, the lender is probably a commercial bank with established expertise in handling loan requests, providing credit financing, and monitoring repayment. The borrower, of course, is the individual equipment user and/or family member. The guarantor is one's service organization. With this model, the service organization sets up a revolving fund and, rather than lending that money directly, uses it to underwrite money provided by the bank. The revolving fund money, then, is used only on a contingency basis. If a borrower does not become delinquent or default on loan repayments, the money remains in the fund. In cases of delinquency and default, the fund is used to compensate the bank for its share of the loss.

Including a commercial lender in the service loop may motivate lenders to be more conscientious about repayment obligations. Borrowing from an human service organization might be considered by some to be like borrowing from family members -- there may be a tendency to become lax in repaying on time. A bank can provide a subtle but effective authoritative presence to the financial arrangement.

Since the loan guarantee concept requires involvement of another organization in both program planning and operations, this duality will tend to have significant impact on various aspects of a financial program, particularly its design and cost/price structures. Any time there is more than one entity involved, a need for compromise can be expected. In general, any service organization considering a loan guarantee program should expect to relinquish some flexibility and control over the service. Involvement of a bank will tend to dictate that the service be conducted on a more businesslike footing. Of course, the degree of compromise will depend upon the two organizations involved and their respective negotiating prowess.

To explore how involvement of a bank might influence a credit financing service, it is useful to retrace some of the planning steps outlined in Chapters II and III.

The Service Design

Many of the features of a service will probably remain consistent, regardless of whether or not it is a guarantee program. Answers to questions such as those related to term of a loan and down payment and collateral requirements (see page 10) will tend to be the same. If chosen carefully, those features should be reflective of need among service area clients. Banks are as concerned as other organizations about designing services tailored to need.

Features unique to a loan guarantee program, such as arrangements between lendor and guarantor, will need to be settled. For instance, the program may require loans to be guaranteed on a dollar for dollar basis, or an organization might be able to negotiate some more attractive lower rate for its contingent liability.

The loan application and repayment monitoring processes will tend to be influenced by bank involvement. A bank will have substantial expertise in many of the required tasks, such as information verification, record keeping, and handling delinquency and default. Many of these management responsibilities will be conducted more efficiently by a bank.

Of course, there are also potential disadvantages. A bank's criteria for approving or denying an applicant will tend to be different. Unless negotiated otherwise, banks will probably rely upon conventional criteria, such as one's status with a credit bureau. It was noted in Chapter II that sometimes credit bureau measures of credit worthiness may be ineffective when dealing with persons with disabilities. A bank does not get involved too personally with an applicant, rarely counseling that person on budgeting matters, for example. Cases of delinquency, default and eventual repossession may or may not be treated with much understanding and forebearance. Of course, these descriptions are only generalizations. Program planners can generate their own assumptions about how one or another bank in their area might negotiate and conduct a loan guarantee service. Some banks may be fairly philanthropic to selected clients, particularly if another, reputable organization is underwriting most or all of an individual's loan commitment.

It should also be pointed out that a bank's presence does not preclude providing some of the less traditional services described in this document, such as rather intensive budgeting/credit counseling. It is entirely possible to design a hybrid program, where a service organization assumes some of the application/loan monitoring responsibilities and the bank handles others. The former organization may decide to remain involved in

screening applicants, for instance. It may be able to dictate some of the criteria that go into the approval/denial decision. It should also remain at least peripherally aware of the status of the various outstanding loans, since it has agreed to bear some, if not all of the financial liability in cases of delinquency and default.

<u>The Service Cost/Price</u>

It is safe to assume that a bank will adopt a very businesslike stance when estimating the costs and deriving the price for a particular loan guarantee service. Program planners should anticipate close scrutiny and perhaps modification of their initial cost and volume estimates. This should not be regarded as threatening or insulting. In fact, bank personnel will bring valuable expertise to cost estimation. Dialogue among planners from both the lending and the guaranteeing organizations will prove mutually beneficial, since the former probably will better understand the business side of providing credit whereas the latter will better understand the target market.

Certain operational costs may be lower for a loan guarantee program. As noted earlier, banks have a comparative advantage in many aspects of credit financing. Hopefully, that expertise translates into lower service costs.

A bank will require all of its costs to be covered in the loan guarantee arrangement. That will include the opportunity costs associated with use of the money and probably some profit. Those latter costs will vary with the pool of money the bank uses to operate the program. For example, every bank has certain funds, termed "concessionary," that it can, by law, lend out at below prime interest rates. The law limits the amount of a bank's total assets that can be used for concessionary purposes. It also constrains what is considered a concessionary purpose. A complete explanation of concessionary funds is outside the scope of this document. Readers are encouraged to ask their local banking officers for more detail. The existence of concessionary funds indicates that banks might be able to tap into accounts where the money is not as costly to use, lowering the price of the financial service.

Since banks will expect total repayment of their costs, service organizations acting as guarantors will need to face up to that financial reality. That does not mean that the price to the borrower will need to reflect total costs, but if it does not, the guarantor will need to subsidize the program for at least the bank's proportion and realistically for its own as well.

Many of these observations about the influence of a bank upon the design, costs and price of a loan guarantee program are only

hypotheses at this time. The potential value of expanding bank involvement in the provision of credit financing to persons with disabilities for specialized equipment is promising. This creates a critical need to begin testing these hypotheses through implementation of loan guarantee programs.

CHAPTER VII

Summary and Decisionmaking Checklist

This document is intended to encourage organizations that serve persons with disabilities to explore the potential for expanded credit opportunities for their constituencies, particularly credit financing for assistive aids and devices. The rapid advance of technology and its increased commercial availability present tremendous opportunities for persons with disabilities to achieve educational, vocational, recreational and other independent living goals. The ability to acquire financing for that technology is a critical prerequisite. Credit financing is an option that has not been pursued to the degree possible. It is the author's contention that there are significant numbers of persons with disabilities who could effectively handle financial responsibilities associated with purchasing needed equipment on time. The ability to acquire credit is vital for living independently in today's society. Persons with disabilities should have opportunities to demonstrate their credit worthiness.

There are roles that service organizations can perform in improving the availability and affordability of credit. The concept of establishing a revolving fund is introduced as one viable alternative. A fund can be used either to provide equipment loans directly or to guarantee commercial loans. This resource guide explores the revolving loan fund concept realistically. Important issues are raised to facilitate thoughtful program planning and implementation by administrators and planners.

Fortunately, there are a number of organizations around the country that have pioneered implementation of the revolving fund concept. Administrators within these organizations have confirmed that the concept is a sound one. They have also been very open to discussing their experiences, sharing the strengths of their respective programs while being frank about areas for improvement. This document captures many of those insights for the benefit of others. Those insights and the frankness with which they have been reported are what give the guide its value.

In reviewing previous chapters it becomes clear that, although a few recommendations are presented, the document raises far more questions than it answers. This was done intentionally. There are few clear cut answers regarding an optimal revolving fund program. Appropriate characteristics of each program will depend upon some critical variables, foremost among them being the financial need of one's constituency. Recognizing that the answers will vary with the organization, this document focuses on

the questions that each organization should consider. The intent is to guide organizational officers as they plan and implement revolving loan/loan guarantee services that are tailored to their unique environments.

Table 7.1, attached, is a compendium of thought provoking questions pulled from previous chapters. The table is meant as a convenient checklist for administrators and boards as they proceed with program planning and implementation.

TABLE 7.1

Checklist of Issues for Planning Decisionmaking

A. What is the Need Among Program Clients?

1) What are the equipment needs of your client population?

2) What are the associated financial needs?
   a) What are the income and expense profiles?
   b) How are people financing equipment, if at all?

3) How many people in your service area might benefit from some sort of equipment financing service?

4) What percentage of that group could afford to repay a portion/all of the costs of that financing?

5) If you were to establish a revolving fund to provide credit, how many applicants could be expected monthly/annually?

6) How many of those applicants would be eligible for credit?

B. What are the Essential Features of the Service?

1) Will the service be used to provide financing directly, or to guarantee money from other sources?

2) Will a down payment be required?

3) What costs, beyond the principal, will be included in the loan? Interest? Warranty/Insurance? Delivery? Administration? Overhead? (See Section G).

4) What will be the term of the loan?

5) How frequently will payments be charged?

6) Based upon the costs to be included and the timing of the payments, what range of installment payments can be expected?

7) Who will have title to the equipment? Will there be any collateral?

C. What is the Application Process?

1) Who is responsible for handling the initial contact?

2) Can that be handled by clerical staff?

3) How should the program administrator be involved?

4) To whom should the applicant talk as a contingency when the primary contact is unavailable?

5) What information should be exchanged?

6) How should the application form be designed?

7) How much staff time should be devoted to verification of application information?

8) Who will conduct that process?

9) Will the services of a credit bureau be used?

10) Will there be any budgetary/credit counseling of applicants? By whom?

11) How shall program staff document and report application verification findings?

12) Who shall be responsible for making final loan/loan guarantee approval/denial decisions (see section D)?

13) How should difficult decisions, requiring additional information be handled?

14) Will there be an option for appeal?

15) How will delivery of the financing be accomplished?

16) How should the contract be designed?

17) In general, how much time should be spent on each application?

18) Should there be any time guidelines for conducting the process and notifying the applicant?

D. <u>Who is Responsible for Controlling the Fund and for Authorizing Financing?</u>

1) Who should serve on the loan/loan guarantee decisionmaking board?

2) How often should they meet when the program is first begun?

3) How often once the program matures?

4) Should any guidelines be developed to facilitate board decisionmaking?

5) How involved should the board be in monitoring loan repayment?

E. <u>How is Repayment Monitored?</u>

1) How much staff time should be devoted to keeping on top of loan repayments?

2) Who is to be responsible for that activity?

3) What filing system should be designed to facilitate monitoring responsibilities?

4) Should a coupon book be used?

5) When should payment delays be considered delinquent? When should they be considered in default?

6) How should program staff respond in each case? Should counseling be pursued?

7) Should the program establish forebearance policies?

8) If so, what policies should be subscribed to regarding loan deferral? Refinancing? Rescheduling? Forgiveness?

9) In cases of default, should the loan just be written off, or should equipment repossession be pursued?

10) Should program staff be responsible for repossession, or should a collection agency be involved?

F. What are the Personnel Requirements

1) Who will be responsible for which of the many tasks outlined previously?

2) Which tasks might be handled by volunteers?

3) How much of each person's time might be accounted for through the the financing service?

4) Can formal job descriptions be developed for each role?

G. How much will the Service Cost?

1) How long a period can be expected between when the service is first established and when some regularity in application flow and in staff activity is achieved? One year? Three years? Five years?

2) How much staff time will be required in the start up period?

3) How much staff time will be required once the service is fully operational?

4) How do these start up and operational staff requirements translate into costs?

5) What other start up/operational costs might be expected?

H. What will be the Price?

1) Based upon previous needs assessments, how many people in the service area will benefit from the service in the course of a year?

2) How much per month, above the loan principal, would each borrower have to pay if the program charged all costs?

3) Does that monthly figure alter estimates as to number of eligible applicants served?

4) What would service volume look like if no costs, just repayment of the principal, were covered in the loan payment?

5) What if a few operational costs were factored into the price?

6) Is there an optimal price, one which the target market can afford and the organization can support comfortably?

7) How much subsidization of operating costs will be required at that price?

8) <u>Given these cost and price assumptions, is the service worth providing?</u>

I. <u>What should be the Size of the Base Fund?</u>

1) Does the fund need to be established all at once, or can the fund raising efforts be scheduled to conform more to service start up requirements?

2) What is considered a "timely manner" for receiving financing? A week? A month? Three months?

3) What will be the average demand for (drain on) the funds, on a monthly/annual basis?

4) What are the terms of the loan, and how much can be expected to "trickle" back monthly from each loan?

5) How much "leakage" can be expected, both in terms of delinquency and default?

6) Based upon answers to the previous four questions, how large should the fund be once the service is fully operational?

7) What are the strategies and related timelines for establishing the base fund?

J. <u>How shall the Service be Marketed?</u>

1) How will internal staff be familiarized with the financial service?

2) How should the organization promote the service to its regular clients?

3) Are there others (clients, vendors, professionals, etc.) to whom the organization should market the service? How are those people reached?

REFERENCES

Congress of the United States, Congressional Budget Office. "Loan Guarantees: Current Concerns and Alternatives for Control." A Compilation of Staff Working Papers. Washington, D.C.: Congressional Budget Office, 1979.

Foundation Center. "The Foundation Center Network." Informational packet distributed by the Center. New York: The Foundation Center, Undated.

Louis Harris and Associates. The ICD Survey of Disabled Americans: Bringing Disabled Americans into the Mainstream. A Nationwide Survey Conducted for the International Center for the Disabled. New York: International Center for the Disabled, 1986.

National Easter Seal Society and Amherst Associates. "Conducting Needs Assessment: A Program Portfolio Resource Manual." Chicago: National Easter Seal Society, 1984.

Reeb, Kenneth G., Jr. "Enhanced Consumerism Within Commercial Rehabilitation Product Markets: A Goal for Independent Living." Washington, D.C.: Electronic Industries Foundation, 1986.

Warner, D. Michael, and Don C. Holloway. Decision Making and Control for Health Administration. Ann Arbor, Michigan: Health Administration Press, 1978.

APPENDIX A

List of Model Programs Studied

1) California Council of the Blind
Committee on Employment Assistance
16119 Sherman Way
Van Nuys, CA 91406

2) California Department of Rehabilitation
Supported Employment Revolving Loan Guarantee Project
830 K Street Mall
Sacramento, CA 94244-2220

3) Cleveland Society for the Blind
STORER Center
1901 East 101 Street
Cleveland, OH 44106

4) Caribbean Council for the Blind
Number 11 Redcliffe Quay
St. Johns, Antigua
West Indies

5) Conklin Center for the Multihandicapped Blind
High Technology Rent Fund
405 White Street
Daytona Beach, FL 32014

6) Independence, Incorporated
1910 Haskell
Lawrence, KS 66044

7) New York State Department of Social Services
Equipment Loan Fund for the Disabled
P.O. Box 1935
Albany, NY 12201

8) Project Job Site
Vera Institute of Justice
22 West 38th Street
11th Floor
New York, NY 10018

9) United Cerebral Palsy Association of Michigan, Inc.
Independent Living Revolving Loan Fund
202 East Boulevard Drive
Flint, MI 48503

APPENDIX B

Sample Loan Application Forms

- California Council of the Blind, Committee on Employment Assistance
- Conklin Center for the Multihandicapped Blind, High Technology Rent Fund
- New York State Department of Social Services, Equipment Loan Fund for the Disabled
- United Cerebral Palsy Association of Michigan, Inc., Independent Living Revolving Loan Fund

CALIFORNIA COUNCIL OF THE BLIND

Committee on Employment Assistance

LOAN APPLICATION

Amount Requested $ ____________________ Date ____________________

Name ____
(Last, First, Middle Initial)

Address ____
(Street, Apt. #, City, State, Zip)

Former Address ____
(If less than 3 years)

Telephone Number ____________________ Social Security No. ____________________
(Area Code)

Name of Relative Not Living With You ____________________

Address ____

Telephone Number ____________________
(Area Code)

PLEASE ANSWER THE FOLLOWING QUESTIONS AS FULLY AND COMPLETELY AS POSSIBLE:

1. A. Describe the tool(s) and/or equipment to be acquired: ____________________

B. Indicate the model number for each item to be purchased: ____________________

2. Give the job title for which this equipment will be used: ____________________

3. Provide a detailed description of the job duties, including specific information regarding the visual aspects of the job: ____________________

4. Explain how such tools and/or equipment would: A. Assist you in securing the job for which you have applied; or B. Aid in upgrading or promoting you from your current job: ____________________

5. If you are applyling for a position where tools and/or equipment will be required in order to perform the essential duties of the job, attach written documentation that an offer of employment has been made. Please indicate below if this request must be acted upon within a given period of time in order not to be disqualified from consideration: ______

6. How were you made aware of this program? ______

EMPLOYMENT AND INCOME INFORMATION

Current Employer ______

Address ______

Telephone Number ______ How Long Employed? ______

Monthly Take-Home Pay ______

Additional Source of Income ______ Amount ______

Are you eligible for service from the Department of Rehabilitation?

YES ____ NO ____ If not, please explain: ______

CREDIT HISTORY

Company	Address	Monthly Payment	Balance

If there are any additional debts, please use a separate sheet to list.

BANK ACCOUNTS

Name of Bank	Branch	Account No.	Type of Account

I verify that the above information is correct to the best of my knowledge, and I intend it relied upon for the purposes of this application. I authorize the California Council of the Blind to make whatever inquiries it considers necessary and appropriate, including credit reporting agencies, if this credit is granted. I authorize my credit references to provide information to the California Council of the Blind. I understand that you will keep this application whether or not this loan is approved and that you will consider it as a continuir statement of my financial condition.

Applicant's signature ______ Date ______

cr/9/83

HIGH TECHNOLOGY RENT FUND

FULL NAME AGE:

STREET PHONE:

CITY STATE ZIP

ARE YOU EMPLOYED? YES NO

IF SO, WHAT IS YOUR OCCUPATION?

ARE YOU A VETERAN? YES NO

PLEASE GIVE AS COMPLETE A DESCRIPTION AS POSSIBLE OF THE MERCHANDISE THAT YOU ARE REQUESTING TO RENT - INCLUDE NAME AND MODEL NUMBER:

NAME OF VENDOR(S) WHO WILL PROVIDE THE MERCHANDISE:

TOTAL COST OF MERCHANDISE: $

DESCRIBE HOW YOU WOULD USE THE MERCHANDISE:

(OVER)

HAVE YOU LOOKED AT ALTERNATIVE OR COMPETITIVE EQUIPMENT TO MEET YOUR NEEDS?

YES NO

IF SO, DESCRIBE:

ARE YOU A CLIENT OF THE FLORIDA STATE DIVISION OF BLIND SERVICES? YES NO

IF SO, HAVE YOU REQUESTED THIS EQUIPMENT FROM THEM? YES NO

WHAT IS THE MAXIMUM AMOUNT YOU ARE ABLE TO PAY EACH MONTH?

ARE YOU A RESIDENT OF THE STATE OF FLORIDA? YES NO

DO YOU INTEND TO REMAIN A RESIDENT OF THE STATE OF FLORIDA DURING THE PERIOD OF TIME THAT YOU ARE RENTING THE MERCHANDISE? YES NO

SIGNATURE OF APPLICANT ______________________________

DATE: ____________________

MAIL TO: CONKLIN CENTER
405 WHITE STREET
DAYTONA BEACH, FLORIDA 32014

60

APPLICATION FORM

Equipment Loan Fund for the Disabled — **NYS Department of Social Services**

- Read the instructions on the reverse side of this form carefully. Failure to complete appropriate sections may result in rejection of the application

Please print or type.

SECTION I-A

1 **Section I-A must be completed by the person who will be financially responsible for the loan and who is, therefore, the loan applicant.**
Please check the appropriate box below signifying that the loan applicant is the

A ☐ Disabled Person B ☐ Parent C ☐ Spouse D ☐ Legal Guardian E ☐ Individual who resides with disabled person F ☐ ______ Other (Specify relationship i.e. son, daughter, brother, etc.)

2 Last Name	3 First Name	4 MI	5 Birthdate	6 Social Security Number
7 Street Address		8 Home Phone No ( ) ______	9 Sex M _ F _	10 Total Family Annual Income (Gross) $ ______
11 City	12 County	13 State	14 Zip Code	15 Years There
16 Name, address and phone no. of nearest relative not living with you				17 Relationship

SECTION I-B

Section I-B must be completed if you checked Box B, C, D, E or F in Section I-A above. If so, please enter descriptive information about the disabled individual below.
If you checked Box A in Section I-A above, then leave this section blank.

18 Last Name	19 First Name	20 MI	21 Birthdate	22 Social Security Number
23 Street Address		24 Sex M _ F _	25 Disabled Person's Annual Income (Gross) $ ______	
26 City	27 County	28 State	29 Zip Code	30 Years There

SECTION II

31 Type and description of disability

32 Description of barrier to be overcome

33 How will the proposed purchase assist in overcoming that barrier?

SECTION III
Physician Completes

34 Physician's Certification (Please print or type)

I certify that ______________________ has a disability as defined in Section 29_ New York State Executive Law (See Section II on reverse side)

35 Description of disability ______________________

36 Physician's Name		37 License Number		
38 Street Address	39 City	40 State	41 Zip Code	42 Phone No ( ) ______
43 Physician's Signature			44 Date	

SECTION IV
Equipment Vendor Completes

45 Vendor's Description Quote (Please print or type)

Brand Name ______________________

Type of Equipment ______________________

Model No ______________________ Cost (including Sales Tax) $ ______

46 Vendor's Name		47 Street Address	
48 City	49 State	50 Zip Code	51 Phone No ( ) ______
52 Vendor's Signature		53 Date	

SECTION V

54 Loan Amount (Note: The loan amount requested should not be less than $500 nor more than $2,000. See Section V on reverse side.)

Loan Amount Requested $ ______

SECTION VI

55 Loan Applicant's Certification

I certify under penalty of perjury under the laws of the United States of America and the State of New York that the information contained on this application is true and correct to the best of my knowledge, that I have attempted to obtain the described equipment through other sources of assistance (See Section VI on reverse side) and that the disabled person identified above is not eligible for nor can obtain such assistance.

56 Loan Applicant's Signature ______________________ 57 Date ______________________

Tear off and retain Copy #3 of the application for your records.
The Original and Copies #1 & #2 should be mailed to the following address:

Equipment Loan Fund for the Disabled
NYS Department of Social Services
PO Box 1935
Albany, N.Y. 12201

For DSS use only

Date Received ______
Date Approved ______
Date Rejected ______

Original – Equipment Loan Fund Copy #1 – DSS Office of Financial Management Copy #2 – DSS Operations Administration Copy #3 – Loan Applicant

INSTRUCTIONS

Introduction

The Equipment Loan Fund for the Disabled is a program which offers low interest loans for the purchase of essential equipment necessary for disabled persons to overcome barriers to daily living or vocational functioning following rehabilitation. Loan requests may be for amounts ranging *from $500 to $2,000*. The fund was set up to help eligible New York State residents with disabilities obtain essential equipment they could not afford otherwise. Loans are available either directly to the disabled person or to the disabled person's parent, spouse, legal guardian, individual with whom such disabled person resides, or significant other.

Essential equipment means equipment which assists the disabled person to overcome barriers associated with the disability in daily living or vocational functioning following rehabilitation. The following are some examples of equipment that come under this category: prostheses, ramps, wheelchairs, wheelchair van lifts, telecommunication devices for the deaf and hearing impaired, and devices which allow persons who are blind or visually handicapped to discern printed material. (This is not an all-inclusive list and other types of equipment may qualify under this program.)

A disabled person is a person who has been certified as disabled by a physician.

Instructions Overview

Sections I-A, II, V and VI are to be completed by the loan applicant. Section I-B must also be completed with information about the disabled person if he/she is not the loan applicant identified in Section I-A.

Section III is to be completed by a New York State licensed physician.

Section IV is to be completed by the equipment vendor.

<u>NOTE</u>: THOSE APPLICATIONS WHICH FAIL TO PROVIDE SUFFICIENT INFORMATION TO DETERMINE THE APPLICANT'S ELIGIBILITY OR WHICH SHOW THE APPLICANT TO BE INELIGIBLE WILL BE RETURNED TO THE APPLICANT BY THE LOAN ADMINISTRATOR WITH AN EXPLANATION OF THE REASON THEY FAILED TO BE ACCEPTED.

Specific Instructions by Section

I-A Section I-A must be completed by the person who will be financially responsible for the monthly remittance of the loan. This individual may be the disabled person or the disabled person's parent, spouse, legal guardian, individual with whom such disabled person resides, or significant other. If the applicant's relationship to the disabled person is not described by any of the categories in Boxes B thru E, check Box F and write in relationship. (If the disabled person is under the age of eighteen, a parent or legal guardian must complete and sign this loan application and therefore is the loan applicant.)

In Box No. (6) the loan applicant's Social Security Number is entered. This will assist the Department in the application process. This information will also be used should there be a need to collect monies due. Social Security Numbers, however, do not have to be provided for the application to be accepted.

In Box No. (8) enter applicant's home phone number or a phone number at which applicant can be reached. If there is no phone number at which applicant can be reached, enter "none."

I-B Section I-B must be completed with information about the disabled person if he/she is not the loan applicant identified in Section I-A. If the disabled person is the loan applicant, then leave this section blank.

In Box No. (22) the disabled person's Social Security Number is entered. If the disabled person does not have a Social Security Number, enter "none."

In Box Nos. (23-29), if the address of the disabled person is the same address as the loan applicant in Section I-A, write "same" in Box No. (23).

II Section II must be completed by the loan applicant giving specific answers to each of the three questions asked about the disability. If there is insufficient space, attach an additional sheet.

III Section III must be completed and signed by a physician licensed to practice in New York State certifying the individual's disability. Under Section 292 of the New York State Executive Law, the term "disability" means a physical, mental or medical impairment resulting from anatomical, physiological or neurological conditions which prevent the exercise of a normal bodily function and which may be demonstrated by medically accepted clinical or laboratory diagnostic techniques.

IV Section IV must be completed and signed by the equipment vendor who will be selling the equipment to the loan applicant. The following information is required:

- Generic and/or brand name
- Description, if not adequately identified by generic or brand name
- Model number, if appropriate
- Cost (including sales tax)

Product brochures, if appropriate, may also be attached.

V Section V must be completed by the loan applicant. Loan disbursements may be for dollar amounts ranging from a *minimum* amount of $500 to a *maximum* amount of $2,000. For example, if a piece of equipment costs $560, including sales tax, the loan amount requested would be $560. On the other hand, if a piece of equipment costs $2600, the loan amount requested would be $2,000, with the remaining $600 being supplied from the individual's personal financial resources.

VI Section VI must be signed by the loan applicant and dated. The loan applicant's certification includes an affirmation that he/she has attempted to obtain the described equipment through other sources of assistance. Such sources of assistance include but are not limited to: other sources of credit, Federal and State programs of public assistance and vocational rehabilitation, and private assistance programs.

INDEPENDENT LIVING REVOLVING LOAN FUND APPLICATION
FOR INDIVIDUALS

United Cerebral Palsy Association of Michigan, Inc.
202 East Boulevard Drive
Flint, Michigan 48503
(313) 239-9459

(For U.C.P.A. Use Only)

TRUSTEES: ____________________ Date request received: ____________

____________________ Amount of Loan requested: ____________

____________________ Date request acted upon: ____________

I. Applicant Information

A. Name ______________________________ Birthdate ____________

B. Address ______________________________
(Street)

____
(City) (State) (Zip)

C. Telephone ( ) ____________

D. Marital Status ____________

E. Number of Dependents ________

II. Disability

A. Diagnosis or Description ______________________________

____

B. Severity (check one) Mild ____ Moderate ____ Severe ____

C. Please describe briefly how disability affects "independent living"

____

____

II. The Loan Amount requested $____________ Date needed ________

A. Purpose for which loan is requested (briefly describe)

____

____

____

____

B. Total amount necessary to meet need........................$__________

C. AMOUNT OF LOAN REQUESTED OF U.C.P.A. OF MICHIGAN...........$__________

D. Balance to meet need.......................................$__________

E. How will balance be obtained (savings, Vocational Rehabilitation, profits, etc.)

____

F. Please briefly describe how loan will enhance independent living (Use seperate sheet if necessary)

____

____

IV. Loan Repayment Schedule (Your suggested schedule may be modified by U.C.P.A. of Michigan)

A. Over how long a period do you feel you need to repay loan?

____

B. Approximate amount of each monthly payment $____________________

C. Beginning date of repayment ____________________________

V. Source of Funds to Repay Loan

A. Employment

1. Present or last place of employment:

Name of company ____________________________

Address ____________________________

2. How long employed? ____________________________

B. If self-employed, briefly describe

____

____

____

C. Your sources of income and amount received monthly before deductions.

1. Employment....................................$ ____________

2. Self-Employment...............................$ ____________

3. Social Security Disability Income (SSDI)........$ ____________

4. Supplemental Security Income (SSI).............$ ____________

5. Pensions.......................................$ ____________

6. Other (Briefly explain)........................$ ____________

____

TOTAL...............$ ____________

D. <u>Average monthly deductions</u>:

Federal Tax ________
State Tax ________
F.I.C.A. ________
City Tax ________
Union Dues ________
Medical Ins. ________
Life Ins. ________
Retirement ________
Credit Union ________
Charity ________
Bonds ________
Other: ________
____
____

Do you have medical insurance? ______

E. AVERAGE MONTHLY EXPENSES FOR ENTIRE HOUSEHOLD
(Please give closest approximate amount)

1. Rent or house payment (are taxes, insurance, utilities included? ________) 1.____
2. Property taxes (not included in house payment) 2.____
3. Heat 3.____
4. Lights 4.____
5. Water/Sewer 5.____
6. Telephone (flat rate only) 6.____
7. Food 7.____
8. Gasoline and regular car maintenance 8.____
9. Clothing 9.____
10. Insurance (life, home, care, medical, etc.) 10.____
11. Medical/Dental (not covered by insurance) 11.____
12. Babysitting 12.____
13. School expenses (tuition, hot lunches, materials, etc.) 13.____
14. Recreation 14.____
15. Miscellaneous (please specify) 15.____

____

F. Additional Monthly Bills (credit card charges)

Creditor	Balance Due	Amount of Monthly Payment

List Assets (stocks, bonds, property, savings accounts, etc.)

Item	Value

List Liabilities (Mortgage, business debts, etc., if in addition to previously listed expenses and debts)

Item	Amount

VI. Personal References (do not list family or relatives)

A. Name ______________________________

Address ______________________________

Telephone ______________________________

B. Name ______________________________

Address ______________________________

Telephone ______________________________

C. Name ______________________________

Address ______________________________

Telephone ______________________________

If the above loan request is approved, I agree to keep the United Cerebra Palsy Association of Michigan, Inc. advised of any change of address or possible deferment of repayment plan. I further agree to use the loan fc the purpose(s) stated. I hereby state that all information furnished abc is correct as of this date.

____
Signature of applicant

____
Date